

BILL # HB 2443

TITLE: off highway vehicles; user fee

SPONSOR: J. P. Weiers

STATUS: As Amended by House NRPS

PREPARED BY: Jeremy Olsen

FISCAL ANALYSIS

Description

As amended, HB 2443 makes several changes related to Off-Highway Vehicles (OHV's). Among the major changes, the bill would modify the distribution of (OHV) Recreation Fund revenues; exempt OHV's from the Vehicle License Tax; remove the lifetime provision for OHV license plates; include a user fee for annual OHV registration; and add new OHV operating restrictions and make certain violations a class 3 misdemeanor. If enacted, the bill will become effective December 31, 2007.

Estimated Impact

HB 2443 would affect OHV Recreation Fund allocations to agencies by requiring a new OHV registration fee and by altering Motor Fuel Tax distributions. Assuming an equal distribution of registrations throughout the year, the new registration fee would generate \$3.7 million in FY 2008, which would grow to \$7.3 million once fully implemented in FY 2009. Of the FY 2009 total, \$5.1 million would go to the state agencies identified in Table 1.

Table 1	Motor Fuel Tax Distribution	Registration Decal Fee	Total FY 2009
Arizona Game & Fish Department	\$ 113,000	\$1,788,500	\$1,901,500
State Land Department	139,000	255,500	394,500
Arizona State Parks Board	<u>(252,000)</u>	<u>3,066,000</u>	<u>2,814,000</u>
Total:	\$ 0	\$5,110,000	\$5,110,000

While \$5.1 million of the \$7.3 million of the new registration fee would be distributed to state agencies, the remaining \$2.2 million would be allocated to the State Highway Fund and local governments for transportation funding.

Offsetting this increase, the bill would eliminate Vehicle License Taxes (VLT) for OHV's, which would result in a decrease of \$(1.3) million in FY 2008, which would grow to at least \$(2.6) million annually once the bill is fully implemented in FY 2009.

Table 2 displays the net impact of the registration decal fee and the OHV VLT exemption on the State Highway Fund and local distributions in FY 2009. The State Highway Fund would gain \$503,500, while local government Highway User Revenue Fund (HURF) and VLT distributions would decline by \$(932,500).

Table 2	Registration Decal Fee	VLT Exemptions	Total FY 2009
State Highway Fund	\$1,105,900	\$ (602,400)	\$503,500
Local Distributions	<u>1,084,100</u>	<u>(2,016,600)</u>	<u>(932,500)</u>
Total:	\$2,190,000	\$(2,619,000)	\$(429,000)

Analysis

Motor Fuel Tax Distribution

The OHV Recreation Fund receives a 0.55% share of motor fuel taxes, and does not currently receive revenue from any other sources. The Arizona State Parks Board currently receives 70% of this amount, and the Arizona Game & Fish Department receives the remaining 30%.

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HB 2443 would instead allocate 35% of fund revenues to the Arizona Game & Fish Department, 5% to the State Land Department, and 60% to the Arizona State Parks Board. In FY 2009, this would allocate an additional \$113,000 to the Arizona Game & Fish Department, the State Land Department would receive \$139,000, and the Arizona State Parks Board would have an offsetting decrease of \$(252,000).

OHV Recreation funds are used by the Arizona Game & Fish Department for informational and educational programs for off-highway vehicle recreation, and for law enforcement activities. Monies received by the Arizona State Parks Board are for administrative costs, enforcement, educational programs, habitat mitigation, facility development, and land acquisition. Under the new allocation, the State Land Department would receive funding for enforcement, management, and mitigation of OHV use on state trust lands.

Registrations

HB 2443 would add to statute a requirement that each OHV in operation on designated trails or areas have an OHV registration decal issued by the Arizona Department of Transportation. The fee for the registration would be determined by the Director of the Arizona Department of Transportation in consultation with the Director of the Arizona Game & Fish Department, subject to approval by the Arizona Game & Fish Commission. Vehicle registrations would be valid for a one-year period. Revenues from registration fees will be deposited into the OHV Recreation Fund and the HURF.

The Arizona Game & Fish Department has proposed an amount of \$18.96 for the vehicle registration fee. Under this new fee, the department anticipates that 385,000 vehicles will be registered. While a departmental survey estimated the current number of unregistered vehicles to be at least 200,000, they assume that 120,000 of these will register due to increased enforcement of OHV regulations contained in the bill. Combined with the 265,000 vehicles currently registered, the bill would result in a total of 385,000 registrations.

Based on department's estimate of 385,000 OHV registrations per year and a proposed registration amount of \$18.96, the fee would generate approximately \$3,650,000 in FY 2008, which would grow to \$7,300,000 in FY 2009. Thirty percent of revenues from this fee would be allocated to HURF, and the remaining 70% would be allocated to the OHV Recreation Fund. Of the amount allocated to the OHV Recreation Fund in FY 2009, \$1,788,500, or 35% will be allocated to the Arizona Game & Fish Department, \$3,066,000, or 60% to the Arizona State Parks Board, and \$255,500, or 5% to the State Land Department. Once monies are deposited into HURF, they are further distributed to the State Highway Fund and to local governments. Of the \$2,190,000 in additional HURF funding, \$1,105,900 would be distributed to the State Highway Fund and \$1,084,100 to local governments.

License Plates

The license plate requirements for OHV's would also be altered under HB 2443. Current statute requires OHV's to pay a one-time fee of \$8 for a license plate, which is valid for the lifetime of the vehicle, and a \$4 title fee. The State Highway Fund receives \$1 of this amount and the remaining amount is deposited into the HURF. The bill deletes the lifetime provision for license plates, but does not indicate how long OHV plates would remain valid. However, a license plate would still be required to operate an OHV.

It is the understanding of JLBC Staff that the intent of the bill is not to change the vehicle licensing process. Because the license plate requirements do not change, current licensing revenues and distributions to the State Highway Fund and HURF would not be affected.

Vehicle License Tax

Current statute allows VLT exemptions for certain classifications of OHV's. HB 2443 would exempt all OHV's from the VLT. The Arizona Game & Fish Department estimates that 27,000 All-Terrain Vehicles (ATV's) currently pay an average annual amount of \$97 for VLT. If the 27,000 ATV's are exempted from paying the VLT, the resulting annual decrease would be \$(1.3) million in FY 2008, which would grow to \$(2.6) million in FY 2009. This would represent a FY 2009 decrease to the State Highway Fund of \$(602,400), and a decrease of \$(2,016,600) to local government distributions. Funds received from the VLT are ultimately distributed to the State Highway Fund and local governments.

OHV Violation Fines

HB 2443 changes violation of some OHV operation regulations from a class 2 misdemeanor to a class 3 misdemeanor. Fines for class 2 misdemeanors are determined by the court, but are not to exceed \$750, while fines for class 3 misdemeanors

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are not to exceed \$500. Statute currently allows judges to order community service or completion of an approved OHV safety course in addition to or in lieu of the monetary fines, and this provision is maintained in the bill. Fines are distributed to the jurisdiction in which the court is held, as stipulated by A.R.S. § 13-811. (*See Local Government Impact for additional discussion.*)

Local Government Impact

A new registration fee of \$18.96 would add \$1,084,100 to local governments, while the elimination of the VLT would result in a loss of \$(2,016,600). The net impact of the bill to local government, therefore, would be \$(932,500).

In addition, some local governments will also be required participate in enforcement activities. However, OHV Recreation Fund revenue will be available as grants through the Arizona State Parks Board for these purposes. The amount of aid available to local governments for enforcement and the expenses, which will be incurred by local governments, would depend on the actions of the Arizona State Parks Board and local governments.

The reduction of some violations from a class 2 misdemeanor to a class 3 misdemeanor could result in decreased fine revenue. However, given that an increase in enforcement activity could generate additional citations, those losses may be offset.

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